

RELATION BETWEEN THE ACCOUNTING PROFESSION, AUDIT AND ECONOMIC DEVELOPMENT OF KOSOVO

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Abstract

Development of accounting and auditing in Kosovo is linked with many developments and other factors. It is particularly interesting to analyze the relationship between the development of accounting and auditing, general development of Kosovo and Kosovo's institutional development. The contribution of accounting and auditing in Kosovo's economic development is associated with their role and function they have in development. Broadly, the better to fulfill the role and function, the greater the contribution. For this reason, understanding better the role and function of accounting and auditing is essential to understanding the essence of accounting and auditing contribution to the economic development of Kosovo. Since accounting and auditing is performed based on the implementation of certain standards, it is important to know the level of implementation of these standards in practice. Accounting and auditing should be viewed from different points of view in order to be able to identify and analyze the many elements and features.

Key words: Accounting, Auditing, Economic Development, Profession

JEL qualification: M4, M42

1. Introduction

Issue discussed in this paper is very broad and complex. Since the theme is to analyze how a profession (in this case the accounting and auditing) can contribute to the economic development of a country (in this case Kosovo), it is easy to see that analysis of both issues, career development and economic development, would require a strong team of experts who will become involved in a project that could take more time to perform. For this reason, it is imperative that the analysis be limited to only certain factors in some relationships.

Accounting and auditing contribution to the economic development of Kosovo, for our purposes here, the relationship between them can be viewed from three perspectives:

- a) The relationship between accounting and auditing and economic development of Kosovo,
- b) The current state of accounting and audit and relations with economic development, and
- c) Accounting and auditing opportunities for economic development of Kosovo.

The analysis here will try to shine some relationships and perspectives without claiming that these are the only or that are most important. In this analysis, efforts will be made to go beyond appearances as "important", "vital", "majestic", and similar to that these appearances can not serve the purpose.

The overall role and function to both, accounting and auditing, the economic development of a rough country is to produce information for business and other stakeholders in society. Any decision taken by any party dealing with the public interest based on readily available information. The quality of information determines the quality of the decision. Although both the accounting and audit related information available, their role is not the same but have a role and function of distinct and complementary. For this reason, analyzing accounting would be different and separate from the audit analysis.

2. Role of Accounting

Fundamental role and function of accounting is to produce financial statements that present a fair picture of the real and financial transactions of the entity. In addition, normally the accountant and the accounting department also produce other statements to meet needs. Since this is achieved, the accountant must have the necessary

technical skills. Financial statements and other statements are really ready information to others¹. Any decision taken by users of the financial statements taken based on the information there. Quality of information will determine the quality of the decision. Based on information produced by the accountant and the quality of this information, stakeholders will they develop a social decisions and make predictions. These stakeholders may include: owners, banks, government institutions, business partners (local and international), professional institutions, etc. Based on this, the role and function of accounting and the accounting departments to produce information that have the qualities needed (so that they may have sustained) for the needs of social stakeholders.

To enable the accountant to produce quality information and meet the needs of social stakeholders, it is first necessary to understand the needs of these parties. These needs are determined by the environment and conditions under which a society develops. For purposes of analysis, we will examine two scenarios:

1. Low degree of applicability of the law, low level of impact of the laws of market forces – This environment was considered that the companies that developed the characterization of high levels of corruption. Under these conditions, business owners need low menexhmentit statement needsto ask businesses that activity is dependent on deeper ties based corruption than by other connections ask businesses. Government should normally be no need for accurate data but corrupt officials of government institutions require accurate data not possible with the head office of his / her which is paid (corrupt).

Companies that develop under conditions of low degree of applicability of the law and scale of the effects of market laws also characterized by high degree of non-formal links of interest. What are these links? These are links between government institutions and officials from other individuals or groups in order to not applying the law to enable the mutual benefit of the non-implementation of law by providing non-impunity by the non-implementation of the law. These links prove to be profitable and are used by businesses and professionals.

¹ Robert W. Ingram, Thomas Albrigt and Bruce A. Baldwin, Financial Accounting, Information for Decision, Fifth Edition, Mason, Ohio, USA: Thomson South-Western, 2003, pg.64

Under conditions of low degree of applicability of the law and the small scale of the effects of market laws, non-formal links of interest described above allowance you become the main source of income. Business strength is measured by the strength of these alloys. This situation created as a result of conditions created by the degree of implementation / non-law enforcement. Commitment of business lies in creating and maintaining these connections. Under these conditions, market demand is for creativity and skills to maintain these connections, this creativity and these skills.

Concentration of business organizations about non-formal interest, gets the most energy of these businesses in how to manage these relationships. Other factors to market forces such as internal management efficiency, quality of products / services, external market forces such as supply and demand, competition, etc., Are secondary from these links with the bulk of business comes links from non-formal interest than by the effect of market forces. For this reason, the request is for business information pertaining to these links and data not related to market forces. Based on these needs, an accountant and accounting department will be involved primarily in meeting these business needs.

2. High degree of applicability of the law scaling of the effects of market laws – Companies that develop in these conditions are characterized by low rates of corruption. Business opportunities come from understanding the business and market forces². This commitment leads businesses to focus on understanding the business needs in terms of market share, internal efficiency, good governance, quality of products / services, market position, the external environment ask businesses, etc. For this reason, under this scenario would be an added requirement for professional management of business activities.

High levels of law enforcement requires businesses to adhere to rules and regulations in full force. To be exempted from this liability, businesses should ensure full zbatushmëri laws and regulations and this can only be achieved with the employment of workers with qualifications and professional experience complete. Increased demand for professional knowledge will impact the accounting profession. Businesses will require an accountant with professional skills to be able to respond to these market requirements. Accountants must have been fully trained, demonstrate technical knowledge and practical experience to ensure that appropriate business needs.

Considering two scenarios described above, the current level of development of Kosovo, the first scenario would be more appropriate. Any report issued by international organizations rank Kosovo as a country with a high degree of corruption. High levels of corruption indicates lower degree of applicability of the law. Corruption is just one of the strands of non-formal links of interest even though it may be more widespread. Corruption can be described as a non-formal contracting between two individuals to benefit from having non-implementation of the law where each party takes its share.

² Shefket Jakupi Hidajet Shehu, financial audit and control processes in the enterprise business, first edition, Pristina, October, 2011, pg.117

Considering the above submissions, the role of accounting and accountants in Kosovo is to produce financial statements that do not represent fair and realistic picture of the financial transactions of the entity³. There is no claim by any party to the financial statements present a fair and realistic picture of the financial transactions of the entity. Officer from the government and the business entity itself does not need to present a fair and realistic view as to ensure coverage of non-enforcement of the law.

3. Role of Audit

Normally, the role and function of auditing in economic development is to give an assurance that the financial statements are prepared in accordance with the requirements of accounting standards described in the legal framework and that these financial statements present fair and realistic view of business activities and transactions of company⁴. This activity is designed to produce financial statements and information provided to make sustained and reliable for users of these financial statements and information submitted. However, if the role and function as described above and as needed (described above) or not depends on the environment in which audit activity is performed. For purposes of analysis, I elaborate on two scenarios:

1. Low degree of applicability of the law, low level of market effects of laws – Under ambient conditions in which the degree of applicability of the law is low, liability is also low (none or only some are held responsible and accountable). Requirements of business owners is to have an official signature, no matter whether or not the report certifies that the statements and information presented provide fair and realistic view of business activities and transactions of the company. Similarly, the official governmental institutions are keen to have this formality folder, no matter whether or not the report certifies that the statements and information submitted to and give real picture of the activities and transactions of the company ask businesses. There is no legal consequence for this.

2. High degree of applicability of the law scaling of the effects of market laws – Under ambient conditions in which the degree of applicability of the law is high, as well as legal responsibility is up. High levels of the effects of market laws force pushes ask businesses business owners to hire employees with professional qualifications and skills with relevant proof of skills and technical knowledge. This is an environment in which audit role and function in development is to provide assurance that financial statements are prepared in accordance with the requirements of accounting standards that are outlined in the legal framework and the financial statements present a fair and realistic picture of transactions and business activities of the company and are sustained and reliable for users.

Taking into account the two scenarios described above, the current level of development of Kosovo, the first scenario would be more appropriate and would be worth the same

³ Ibid, pg.125

⁴ Dr. L. Zager, B. Tusek Revizija, Zagreb, 2007, pg. 129

description presented above. The role of auditing in Kosovo is to submit a formal report on file with the signature of the licensed auditor. There is no concern by any party whether or not the audit is conducted wholly or partly in accordance with any standard. Request for audit of most companies is primarily to meet the formal audit and not serve its purpose is to certify that the statements and information presented provide fair and realistic view of transactions and business activities of the company. There is no international investors will rely on the auditor's report for any investment whether small or freedmen, even if the audit report is issued by one of four major international firms to audit, but will conduct and support under investigation and selfstudy. Even audit conducted by the 4 largest companies is weak because of zero legal or professional consequences for poor quality work.

4. Profile of Professionals

Considered enough generally portrayed three types of profiles of professionals. By describing these profiles will highlight some features without claiming that these are the only or that are most important.

1. "Professional you"– This profile of the professional would be someone who will implement all or most professional standards. As described above, the profession as a service offered to businesses the social stakeholders to market these services face the force of all laws of the market. Someone who will implement all or most of all professional standards in Kosovo will have difficulties to survive, there are a few reasons:

a) Application of professional standards will take more time to perform the engagement which would make it more expensive. Market demand is for work that is sufficient to fulfill formal legal requirements. With that there is no legal or professional consequences, others will perform the same work without the application of standards. The less that the standards applied, the less work is required, low fee will be required. For these reasons, the "professional you" do not have commitments;

b) Also, anyone who applies professional standards will provide fair and realistic picture. When market demand is not realistic appearance and presentation entitled, "professional you" will not engage, certainly someone who does not apply standards will be engaged.

For the reasons stated above, the "professional you" in Kosovo can be seen easily by looking at the number of commitments⁵. This profile of professionals will have little commitment, no network connections in informal interest, "not so skilled," and can barely survive or even get completely off the market due to low demand for implementation of professional standards.

2. "Professional cad"– would be at least someone who applies professional standards. In cases of application for work that does not take into account professional standards, this profile of professionals will meet the requirement. "The Professional cad" would be the first to take work that would require a lower price, would not

present the right image and real transactions and will be able to get any work can be achieved.

Professional profile described above in Kosovo can be seen easily by looking at the number of commitments. In this profile you will see a strong network of links to non-formal interest "very resourceful person," a large number of commitments and the creation of huge amounts of money.

3. "Professional mixed" - This profile of the professional would be someone that will partially implement professional standards. "The professional mixed" will be partially engaged with which would require the average labor prices. "The professional mixed" shall range from being about "professional you" up close "professional villain." The position will be determined based on the level of enforcement of professional standards.

5. Development of opportunities for professional discussion, the hapurit and transparency of the review of professional work

All professions in general including financial reporting profession are based on the arguments / evidence and conducted through confrontation / confrontation of facts / arguments. Lack of opportunities for such face / confrontation prohibits occupation of the development. For this reason, development opportunities that enable the efficient and proper discussion on any and every professional issues is essential for the development of the profession of financial reporting in Kosovo.

Opportunities for professional discussion can be through internet forum members SHKÇRK's, or more traditional methods such as meetings for discussion and debate through newspaper or can be included to all. Implementing these professional discussion on Kosovo in the early stages will have stuttering problems, however this is something necessary to pass through. The main difficulties are the strong appetite of individuals or groups to have informal discussions under control through non-formal links of interest. If not managed properly discuss these opportunities, these appetites will continue to kill the same professional treatment as before. Lack of professional discussion is not coincidence, it is well thought out individuals and informal groups. By keeping development close, the possibility of public information is prohibited for non-enforcement of professional standards, legal violations, labor groups, non-formal and informal links of interest. Basic conditions for the proper management of reviewing of professional work are that it be open and transparent.

What are the specifics in Kosovo that create the need for this degree of transparency? Are at least two:

1. Appetite of individuals and informal groups have control over any and all professional development is strong through this control will manipulate the process by intervening at certain points in order to create space and to utilize these spaces in order that they develop a benefit at the expense of reducing the effectiveness of re-viewing activities or at the expense of law-enforcement in less than plotëni of these requirements. This appetite is demonstrated as very effective in the past and it is reasonable to expect continuity,

⁵ Ibid, pg.129

2. Skills of individuals and informal groups to date have proven to be strong aftercontrol of any and all professional development in the same manner and for the same purposes as described above for the appetite. These skills have proven very effective in the past and it is reasonable to expect continuity.

6. Conclusions

Financial reporting profession in Kosovo after the war, start a new era of development, bringing its bases in accordance with international standards. Training curriculum for accountants and auditors, and legal framework regarding the profession was created in accordance with the lines of international standards. This profession is a service offered to businesses and other stakeholders in society and that is influenced by market demand for these services. Also, the profession has not developed internal mechanisms to ensure self-regulation, self-development and self-improvement of quality of services. At this stage of development, the profession is

characterized by low professional standards enforcement. After all, the existence of the foundations of the profession is a sound basis on which to build a sustainable development of the profession.

Considered that the profession of financial reporting can fulfill its role and function and to ensure sustainable development itself, needs further development. The development does not come automatically, furthermore must have built its own mechanisms within the profession to enable and ensure its development. Mechanisms described in the paragraphs above, although may not be the only, will enable the profession to be controlled by professionals and will provide strong professionalism.

Profession who keeps a high degree of professional standards enforcement would be able to offer businesses and other stakeholders social good quality professional services. High quality professional services will be a valuable source of benefits for business in Kosovo, local and international investors and the general economic development and prosperity in Kosovo.

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